MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2021/2022

BME2054 – MALAYSIAN ECONOMY

(All sections/Groups)

15 AUGUST 2022
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 4 pages with 4 questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

(a) The National Agro-Food Policy was formulated to address challenges in domestic and global markets to ensure sustainable production for food security and safety. It also aims to reform and transform the agro-food industry to become a more modern and dynamic industry. Examine **ANY FOUR** main programmes implemented to ensure the food security and safety of the country?

(10 marks)

(b) Compare whether import-substitution or export-orientation industrial policies were more successful in Malaysia.

(15 marks)

(Total: 25 marks)

QUESTION 2

(a) Strengthening SMEs – Backbone of the Economy

SMALL and medium-size enterprises (SMEs) form an integral part of the Malaysian economy as they contribute 38% or more than RM500bil to our gross domestic product (GDP). With 1.15 million of SMEs nationwide, they form 97.2% of the total number of business establishments in Malaysia, employing close to 70% of the country's workforce.

Source: The Star, 14 December 2021.
https://www.thestar.com.my/business/business-news/2021/12/13/strengthening-smes---backbone-of-the-economy

Discuss on few recent programmes or initiatives that aid to spur innovation and technology adoption amongst Small and Medium Enterprises (SMEs) in Malaysia.

(10 marks)

(b) Malaysia's 35% minimum wage hike stirs recovery concerns

KUALA LUMPUR -- For more than a decade, Thangarani Karupiah had been making just 900 ringgit ($210) a month from her job sweeping and mopping floors at a private health care center near the capital. But since 2019, she has benefited from government rules on wage floors, and now pulls in 1,200 ringgit.

She is among 1.2 million Malaysians who will benefit again when the minimum wage goes to 1,500 ringgit next month, up from the current 1,100 ringgit or 1,200 ringgit in 57 major cities, according to the government. The new floors represent a windfall of 25% to 35% for the many workers who live paycheck to paycheck.

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Source: Nikkei Asia, 26 April 2022.
https://asia.nikkei.com/Spotlight/Asia-Insight/Malaysia-s-35-minimum-wage-hike-stirs-recovery-concerns

Appraise if you think it's timely for Malaysia to increase the Minimum Wage in Malaysia?

(15 marks)

(Total: 25 marks)

QUESTION 3

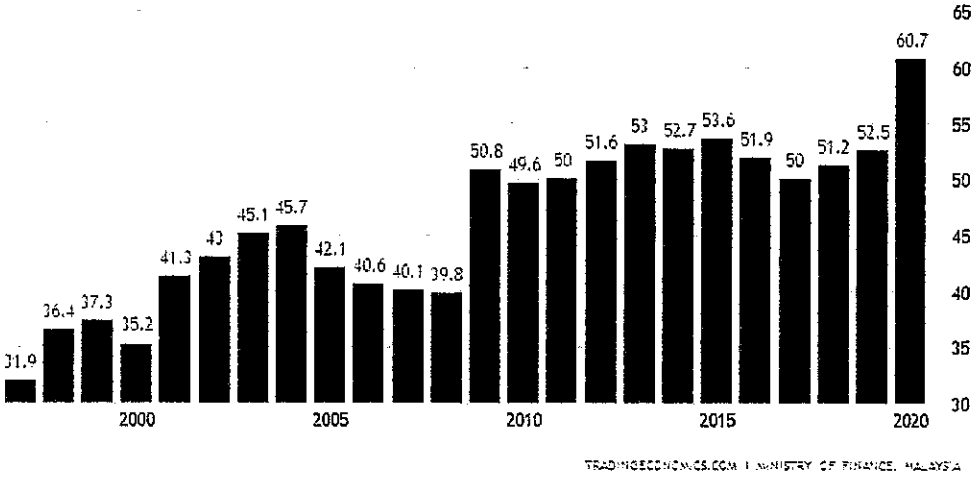
(a) The COVID-19 pandemic has also accelerated e-commerce growth across countries in ASEAN, where conducting transactions over the internet has now become the new norm. With digitalization, businesses are now able to generate revenue from a wider consumer base, even from those located outside their home country. The widening of market coverage has indirectly led to tax leakages as e-commerce businesses generally do not pay tax in foreign jurisdictions where they do not have a physical business presence. In ASEAN, Malaysia, Singapore and Indonesia were the first countries to impose a tax on foreign supplies of digital services starting in the year 2020, in line with global taxation trends.

Discuss the underlying pull-factors of the introduction of digital tax, the potential extension of Sales and Services Tax (SST) to digital supplies from non-resident businesses in Malaysia.

(15 marks)

(b)

Figure 1: Government debt in Malaysia from year 1996 to 2020 (in percentage of GDP)



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Refer to the figure above and answer the following questions.

i) How is the government debt in Malaysia and other countries calculated? Explain why it is reported as percent of GDP.

(4 marks)

ii) Comment if government debt in Malaysia of about 60 percent or less of GDP as shown in Figure 1 is not considered a problem.

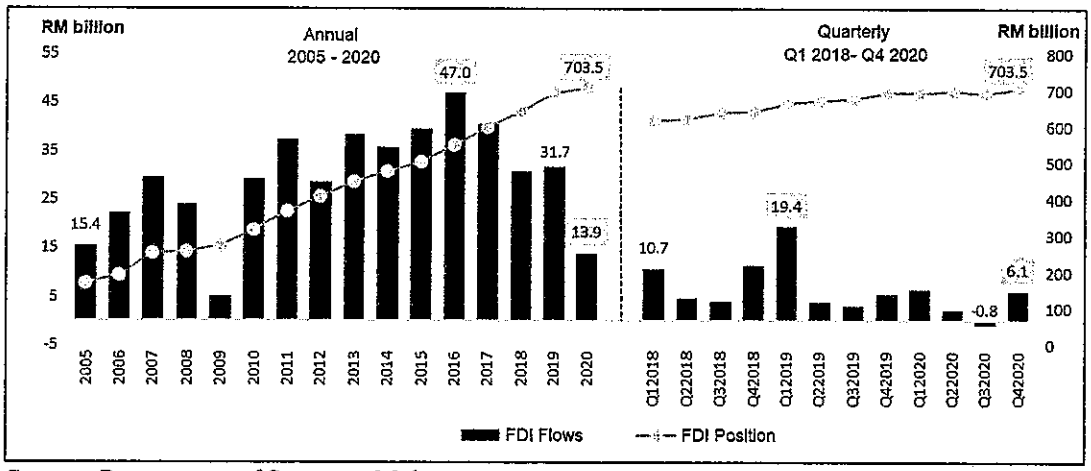
(6 marks)

(Total:25 marks)

QUESTION 4

(a)

Figure 2: Foreign Direct Investment (FDI) in Malaysia, 2005-2020



Source: Department of Statistics Malaysia.

Malaysia's foreign direct investment (FDI) slowdowns and declining in trend from RM47 billion in year 2016 to RM13.9 billion compared to the corresponding period of 2020, according to the Malaysian Investment Development Authority (MIDA).

Discuss how Malaysia can continue to attract foreign direct investment (FDI)?

(15 marks)

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(b) Malaysia is one of the most open economies in the world with a trade to GDP ratio averaging over 130% since 2010. Openness to trade and investment has been instrumental in employment creation and income growth, with about 40% of jobs in Malaysia linked to export activities. Argue why globalization is critical for Malaysia in business and economic development.

(10 marks)

(Total: 25 marks)

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